

BUSH TRIES TO REBOOT - EXCLUSIVE: INSIDE THE IPHONE

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► Already a hit in Germany, this hip and healthy beverage has big plans for going global



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BUSINESS

A Brand-New Brew

Made much like a beer, but without alcohol, Bionade is a fizzy, fruity hit in Germany. But can it go global?

By JULIE TREUMANN OSTHEIM

OSTHEIM IN DER RHOEN IS A QUIET German town in northern Bavaria. Picture-book pretty, with narrow, winding streets, it doesn't seem like a place where anything—let alone anything hip—ever happens. But this bucolic hamlet is the birthplace of Bionade, an all-natural soft drink that's become a national sensation (it more than tripled sales last year), one that its creators now hope to export worldwide.

Bionade's founders don't dream of global conquest for its own sake. They speak passionately about what they describe as the drink's deeper meaning. "Bionade is a totally idealistic product. Of course we want to make money, but honestly, this was an attempt to give people something better," says Bionade's CEO, Peter Kowalsky, 38.

It was the shake-up of the German beer industry in the 1980s that inspired Bionade's inventor, Dieter Leipold, then master brewer at Ostheim's Privatbrauerei Peter, to quest for a new quaff. With younger German consumers increasingly choosing imports like Corona and Miller Lite over local beers, Leipold worried about the brewery's future. And there was more at stake than just business: it was family. He lived with the brewery's present owner, Sigrid Peter, now his wife, and acted as stepfather to her sons, Peter and Stephan Kowalsky.

Knowing he couldn't compete with the beer conglomerates, he began to tinker with an idea: invent a healthy soft drink using beer-brewing principles. Says Leipold, "One of the goals was to make a drink for children that didn't have any artificial additives and that followed the purity requirements traditionally used to make beer." That meant a product with natural ingredients only: malt, water, sugar, fruit essences. No corn syrup, nothing artificial. And he'd use the same fermentation process he used to make beer—the trick would be leaving out the alcohol.

It took Leipold eight years and all €1.5 million of the family's money to perfect the recipe. Leipold found a way to ferment a nonalcoholic drink by converting the sugar that normally becomes alcohol into nonalcoholic gluconic acid. And because the acid strengthened the taste of sugar, Leipold only needed a fraction of the sugar found in a

normal soft drink. Then came the flavors—elderberry, lychee, orange-ginger and herb—plus a spritz of carbonation.

The first cases shipped in 1995, but lean years followed as the company unsuccessfully tried to market Bionade solely on its health claims. The turning point came in 1999, when marketing expert Wolfgang Blum arrived. He gave Bionade a radical

"It's a great idea. The timing was right," she says. In 2002-03, Bionade sold 2 million bottles. By 2006, it was available in Switzerland, Austria and the Benelux countries, and sold 70 million. Leipold, now 69, is relieved the company's faith in its product is paying off. "We were just too early," he says.

Bionade now faces a new set of challenges. Back in Ostheim, the small factory is overflowing with equipment and materials, barely able to keep up with demand. But Kowalsky and Co. are hatching plans to sell Bionade in Japan and North America by 2008. The U.S. is a tough market, says Gary Hemphill, managing director of Beverage Marketing Corp. in New York City: "The odds are stacked against any new product. If



FAMILY AFFAIR: CEO Kowalsky sells the drink his stepfather created

makeover—a slick retro blue, white and red logo, and a new strategy, branding it as a hip lifestyle drink that happened to be healthy. With no budget for television or print advertising, the company needed to get everyone else—especially the media—to spread the word, Blum says. So Bionade sponsored hundreds of sporting, cultural and kids' events across Germany. Between word-of-mouth and a flurry of German news reports, sales picked up.

Winning influential fans has also been crucial to Bionade's success. Sarah Wiener, one of Berlin's top chefs, serves the drink in all three of her pan-European restaurants.

it is something that is foreign to people, then the company has to be able to communicate what the benefits are."

To suit American tastes, Bionade is contemplating adding new flavors, like cranberry. But the major hurdle is just getting the drink on store shelves. To do that, the company will likely have to pair up with a major distributor, like Starbucks or Anheuser-Busch, which seems anathema to a company that has marketed itself as an idealistic small-town enterprise. After all, it was multinational corporations that almost put the brewery out of business in the first place. Timothy Calkins, clinical professor of marketing at Chicago's Northwestern University, cautions: "The key challenge on growth is, how do you remain true to your brand?" Kowalsky seems to understand: "The most important thing, I think, is that we know where we came from and where we're going. This we can't forget." ■

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—PETER KOWALSKY, CEO, Bionade

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